

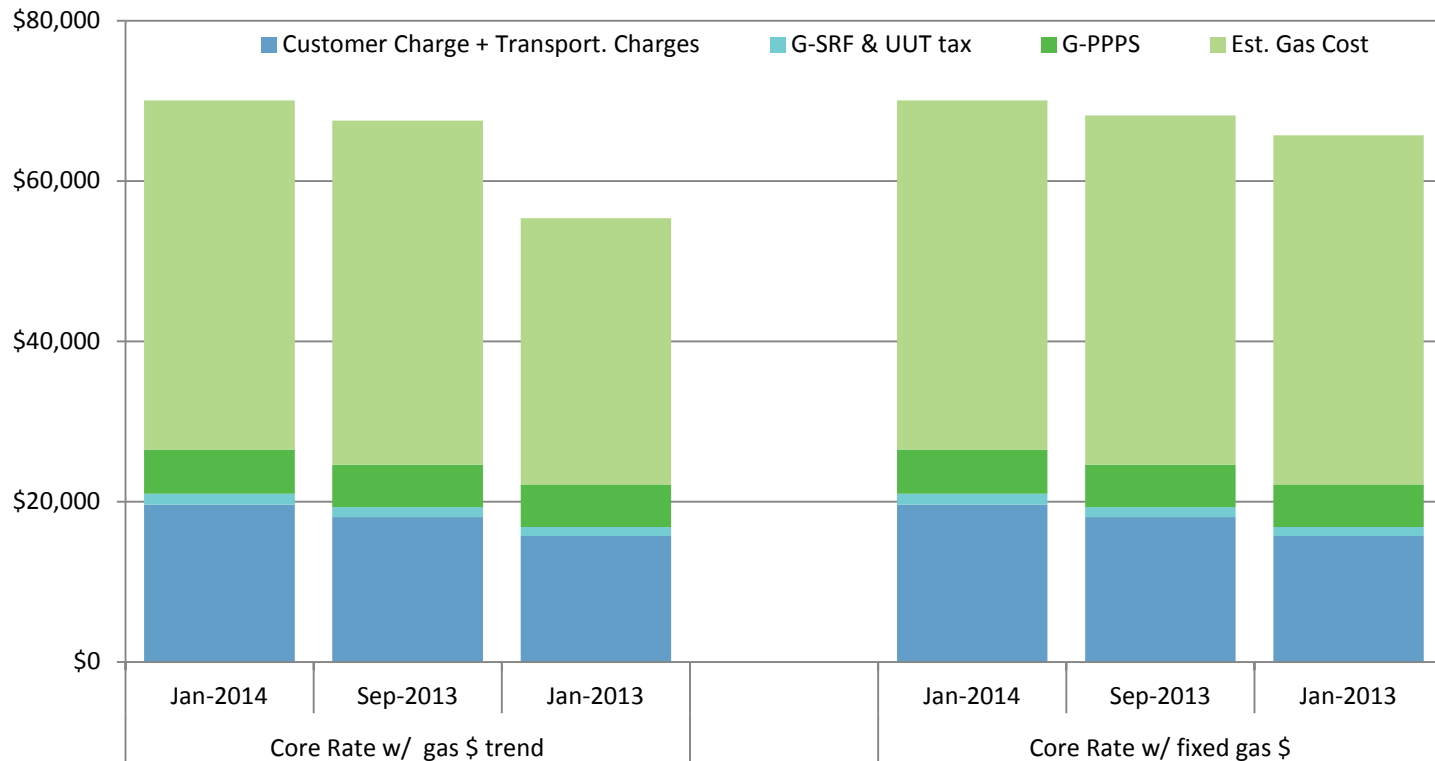


2014 NATURAL GAS MARKET OUTLOOK

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The Components of Your Core Gas Bill

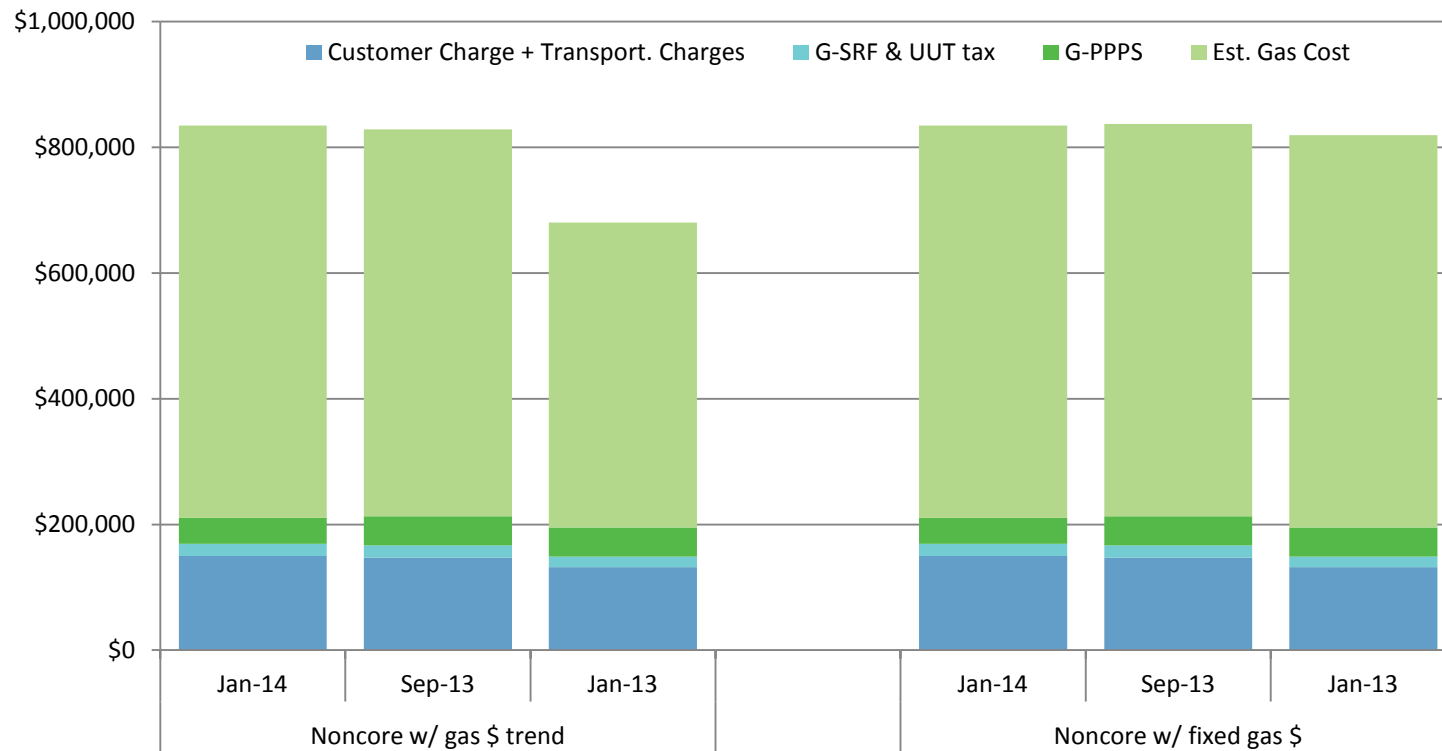
Estimated Comparisons & Cost Breakdown for Core Rate @ 100,000 th/yr



These are estimated #s only. Gas costs are derived from a 12-month rolling historical dataset.

The Components of Your NonCore Gas Bill

Estimated Comparisons & Cost Breakdown for NonCore Rate @ 1,500,000 th/yr



These are estimated \$s only. Gas costs are derived from a 12-month rolling historical dataset.

SoCalGas – January 1, 2014 Rates

- » Core C&I Class Average Rates
 - increase 5.5% ($\Delta = \$0.017$)
- » Noncore C&I Class Average Rates
 - increase 1.1% ($\Delta = \$0.001$)
- » PPS Rates
 - Core C&I increase 5% ($\Delta = \$0.002$)
 - Noncore C&I decrease -11.6% ($\Delta = \$0.004$)
- » Noncore EG Class Average Rates for Tier I
 - decrease -18.7% ($\Delta = \$0.012$)
- » Noncore EG Class Average Rates for Tier II
 - decrease – 29.9% ($\Delta = \$0.010$)

Where to Find Latest Gas Rates

» SoCalGas website → Regulatory → Tariffs → Tariffs Rates <http://socalgas.com/regulatory/tariffs/tariffs-rates.shtml>

Rate Schedules

Tariffs flagged with an asterisk (*) include one or more sheets considered effective pending final approval by the C.P.U.C.

- Schedule GR, Residential Service* (Includes GR, GR-C and GT-R Rates)
- Schedule GS, Submetered Multi-Family Service* (Includes GS, GS-C and GT-S Rates)
- Schedule GM, Multi-Family Service* (Includes GM-E, GM-C, GM-EC, GM-CC, GT-ME, GT-MC and all GMB Rates)
- Schedule G-CARE, California Alternate Rates for Energy (CARE) Program
- Schedule GO-AC, Optional Rate - Air Conditioning* (Includes GO-AC and GTO-AC Rates)
- Schedule G-NGVR, Natural Gas Service for Home Refueling of Motor Vehicles* (Includes G-NGVR, G-NGVRC and GT-NGVR Rates)
- Schedule GL, Street and Outdoor Lighting Gas Svc*
- Schedule G-10, Core Commercial and Industrial Service* (Includes GN-10, GN-10C and GT-10 Rates)
- Schedule G-AC, Core A/C Svc for Commercial/Industrial* (Includes G-AC, G-ACC and GT-AC Rates)
- Schedule G-EN, Core Gas Engine Water Pumping Service for Commercial and Industrial* (Includes G-EN, G-ENC and GT-EN Rates)
- Schedule G-NGV, Natural Gas Svc for Motor Vehicles* (Includes G-NGU, G-NGUC, G-NGC and GT-NGU Rates)

SOUTHERN CALIFORNIA GAS COMPANY Revised CAL P.U.C. SHEET NO. 49950-G
 LOS ANGELES, CALIFORNIA CANCELING Revised CAL P.U.C. SHEET NO. 49911-G

Schedule No. G-10 Sheet 2
CORE COMMERCIAL AND INDUSTRIAL SERVICE
 (Includes GN-10, GN-10C and GT-10 Rates)

(Continued)

RATES (Continued)

All Procurement, Transmission, and Commodity Charges are billed per therm.

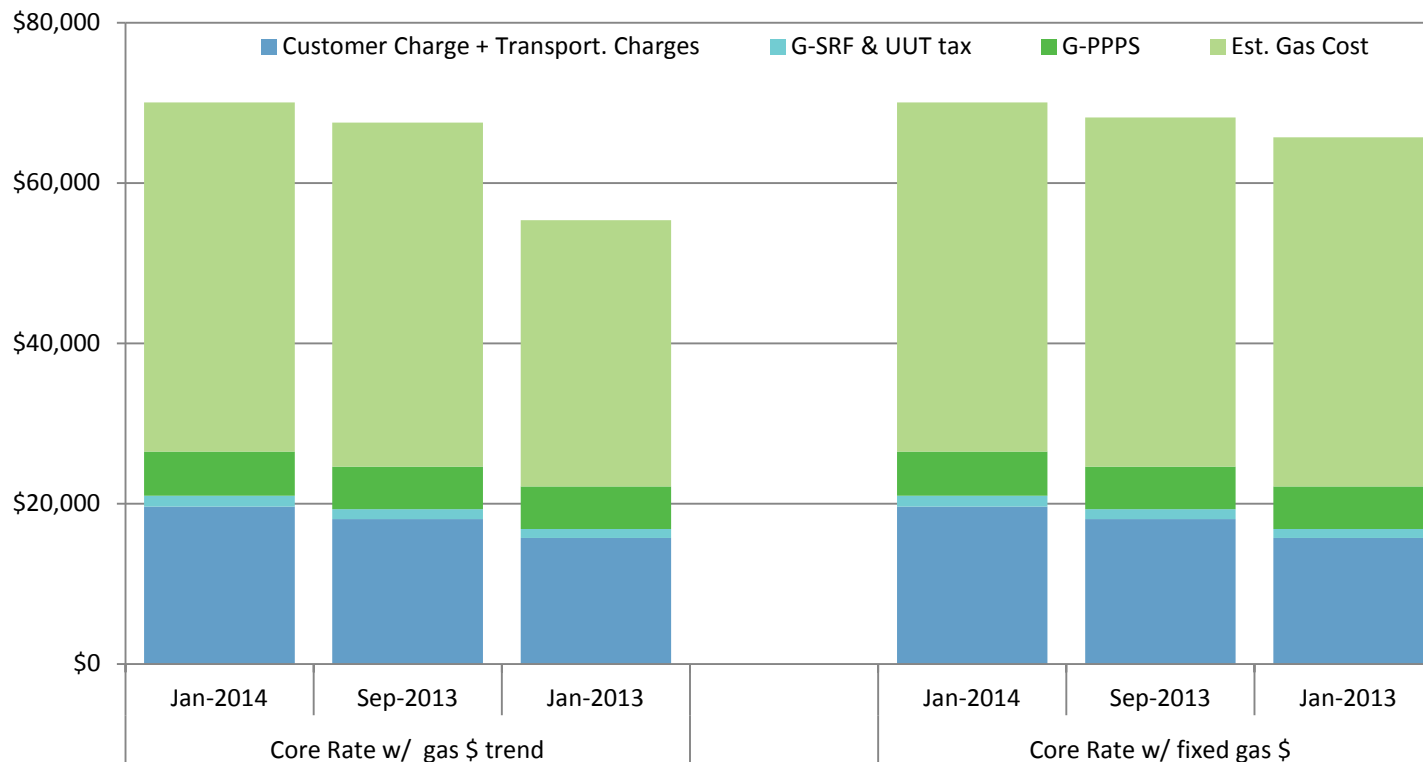
		Tier I ^{1/}	Tier II ^{1/}	Tier III ^{1/}
GN-10^{4/}	Applicable to natural gas procurement service to non-residential core customers, including service not provided under any other rate schedule.			
	Procurement Charge: ^{2/} G-CPNR	47.715¢	47.715¢	47.715¢
	Transmission Charge: GPT-10	52.856¢	27.266¢	10.107¢
	Commodity Charge: GN-10	100.571¢	74.981¢	57.822¢
GN-10C^{5/}	Core procurement service for previous non-residential transportation-only customers returning to core procurement service, including CAT customers with annual consumption over 50,000 therms, as further defined in Schedule No. G-CP.			
	Procurement Charge: ^{2/} G-CPNRC	40.837¢	40.837¢	40.837¢
	Transmission Charge: GPT-10	52.856¢	27.266¢	10.107¢
	Commodity Charge: GN-10C	93.693¢	68.103¢	50.944¢
GT-10^{4/5/}	Applicable to non-residential transportation-only service including CAT service, as set forth in Special Condition 13.			
	Transmission Charge: GT-10	59.010¢ ^{2/}	33.420¢ ^{3/}	16.216¢ ^{3/}

^{1/} Tier I rates are applicable for the first 250 therms used per month. Tier II rates are applicable for usage above Tier I quantities and up through 4,167 therms per month. Tier III rates are applicable for all usage above 4,167 therms per month. Under this schedule, the winter season shall be defined as December 1 through March 31 and the summer season as April 1 through November 30.

^{2/} This charge is applicable for service to Utility Procurement Customers as shown in Schedule No. G-CP.

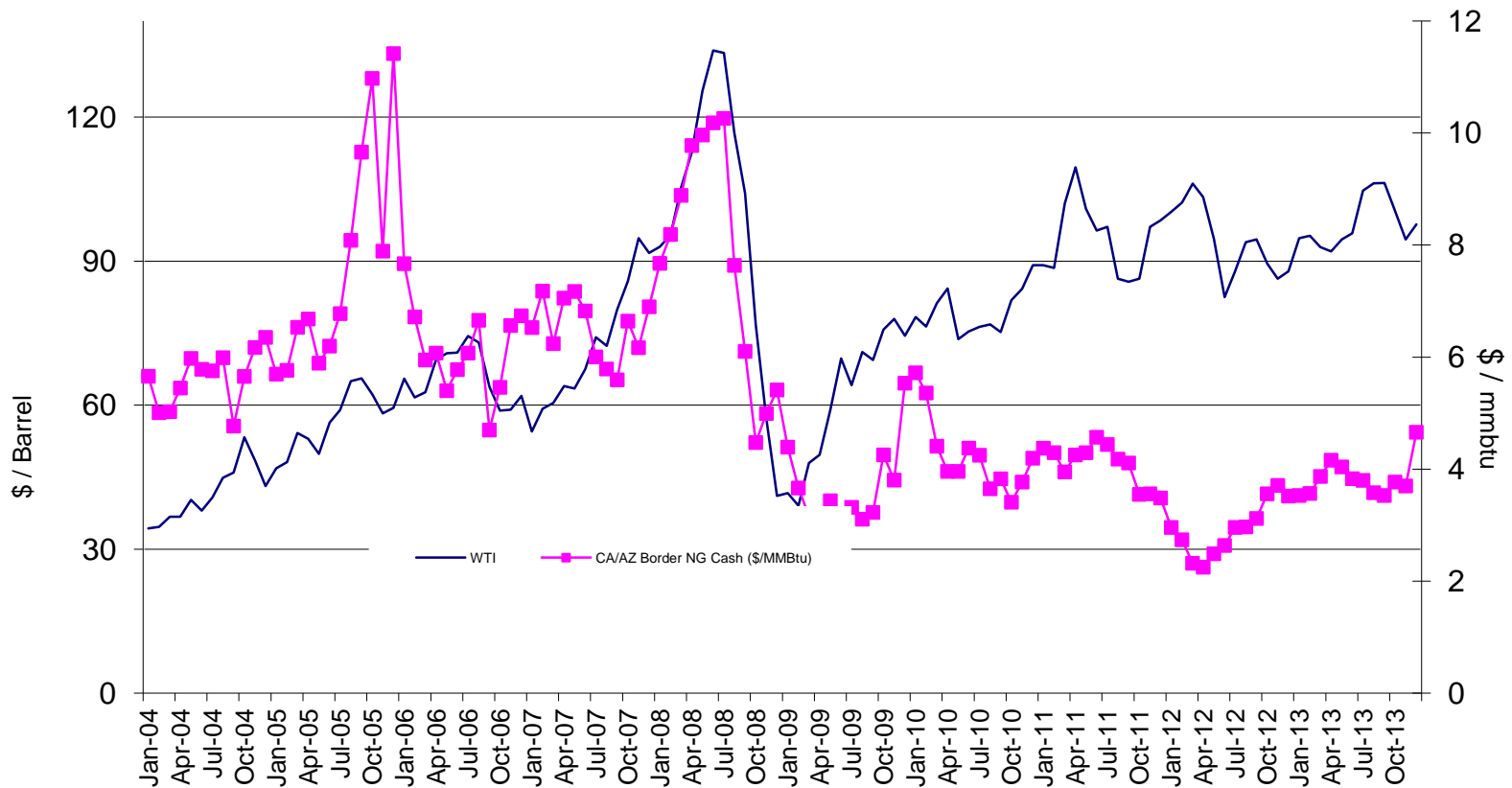
Commodity \$ = Biggest Driver of Costs

Estimated Comparisons & Cost Breakdown for Core Rate @ 100,000 th/yr



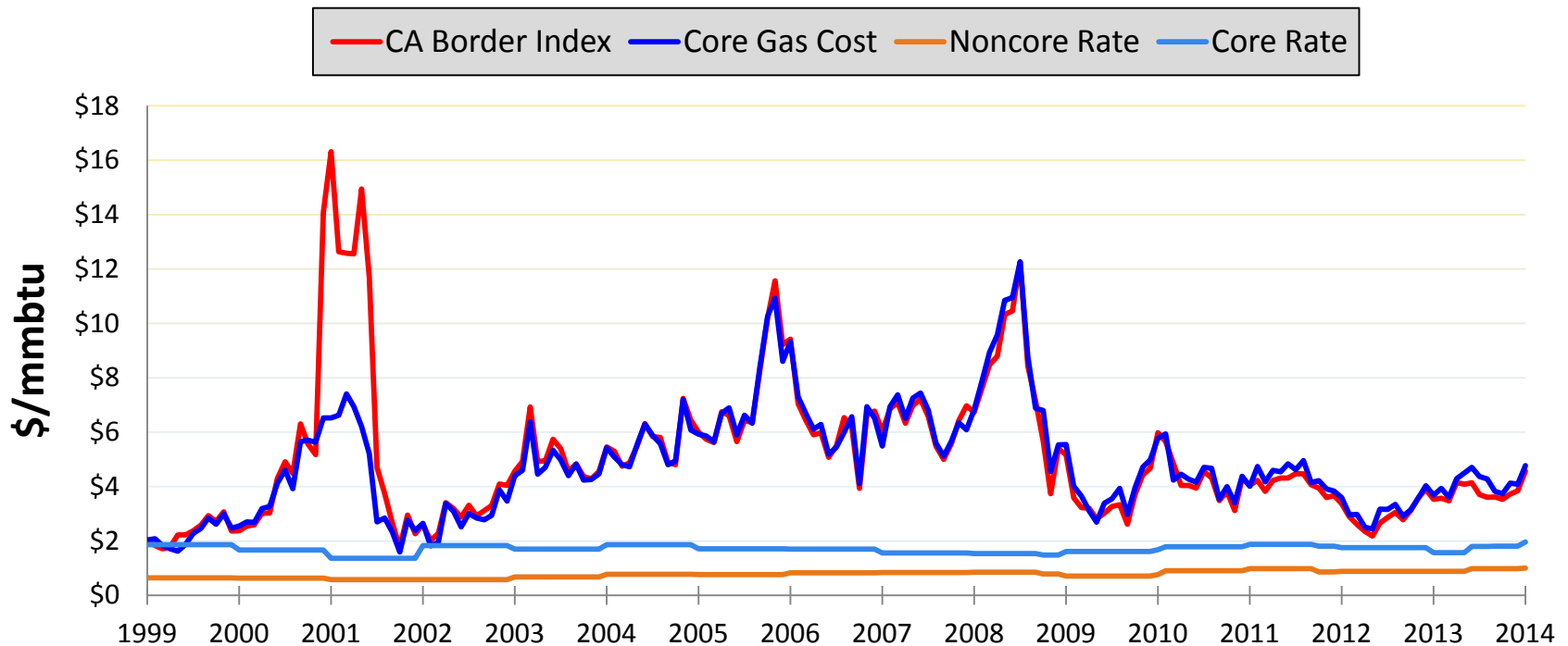
These are estimated #s only. Gas costs are derived from a 12-month rolling historical dataset.

Oil Prices vs Natural Gas



Source: Oil prices - EIA, CA/AZ Border Gas Price - ProphetX T:\oil vs gas.xls

Historical Gas Commodity & Rate Pricing



Data Sources:

CA Border Index: *Natural Gas Intelligence BidWeek*

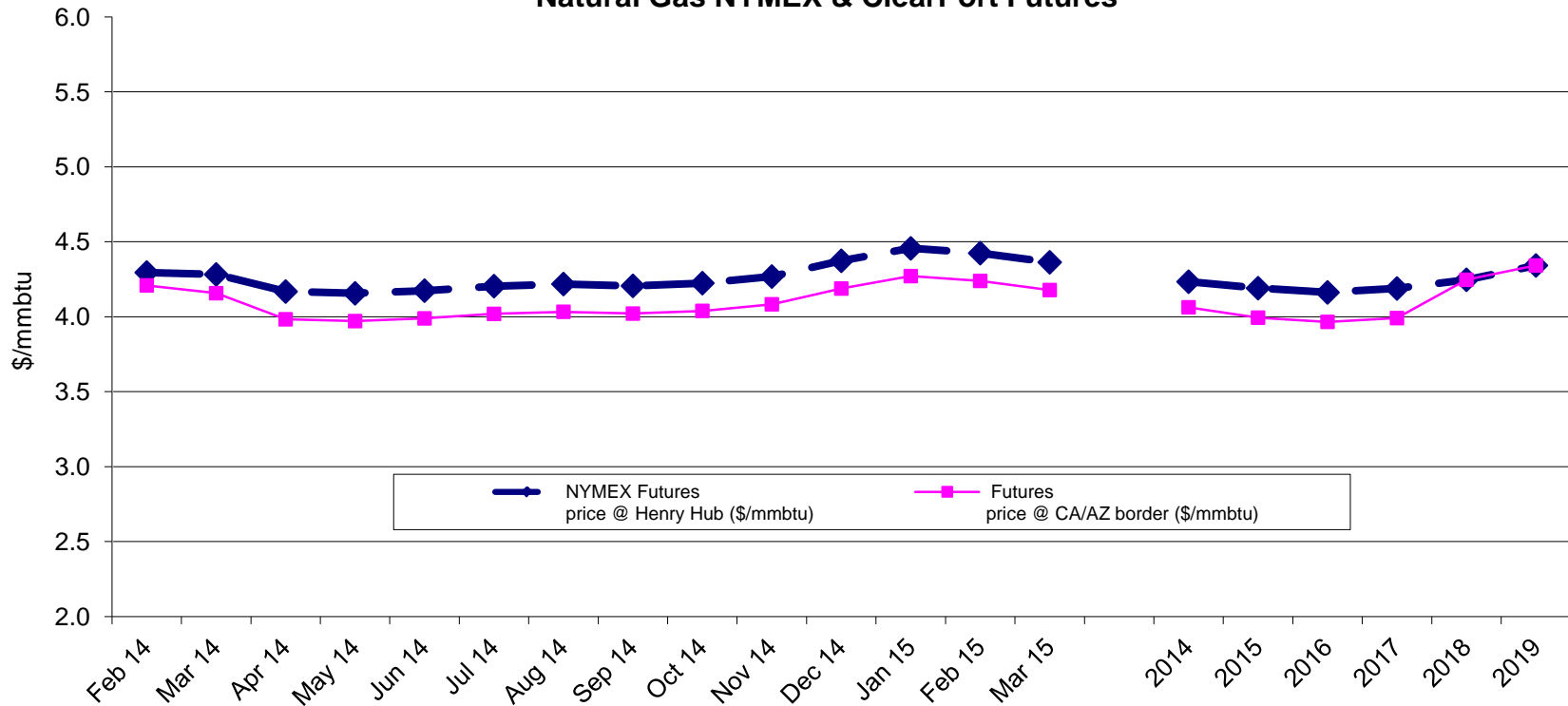
Core Gas Cost: *SoCalGas tariff G-CPR rate*

Noncore Rate: *SoCalGas GT3 tariff (transport + customer charge) average \$/th based on 1.5 Mth/yr consumption*

Core Rate: *SoCalGas GN10 tariff (transport + customer charge) average \$/th based on 100k th/yr consumption*

Relatively Flat 5-Yr Gas \$ Forecast

Natural Gas NYMEX & ClearPort Futures



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Source: Henry Hub data: PROPHETX[QUOTE]!NG@[DTN:NYMEX] Border data: Ventyx Velocity Suite

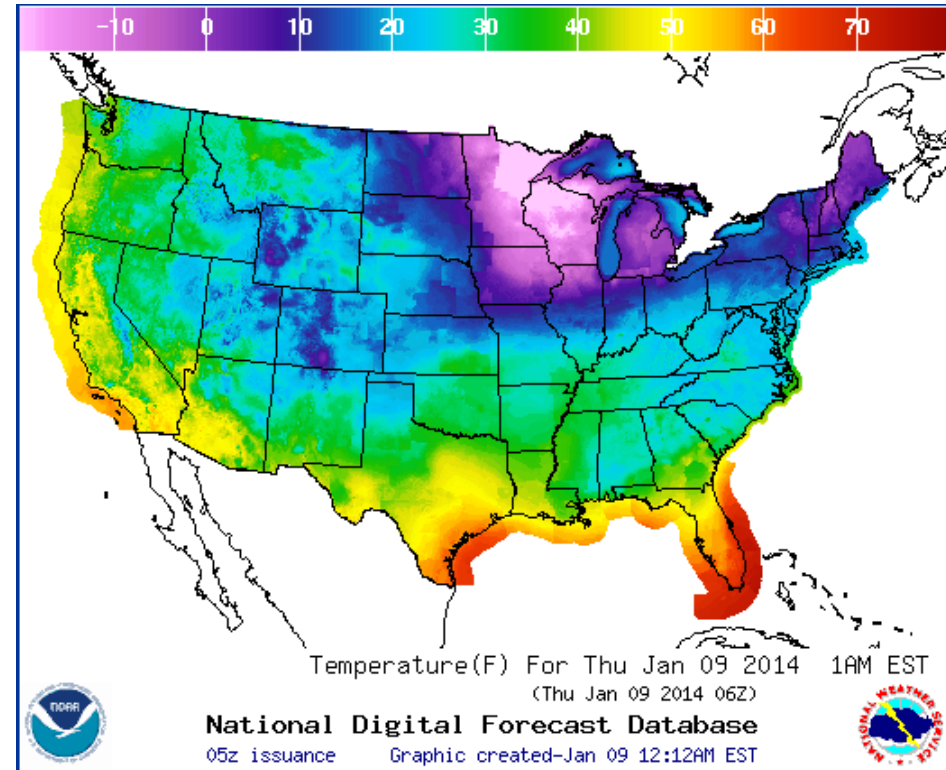
Updated January 6, 2014

Gas Commodity Major Price Drivers

- 1 Growing domestic production of natural gas
- 2 Ongoing improvements in advanced drilling technologies
- 3 Consumption growth in industrial and power gen. sectors
- 4 New Export Demand (LNG)
- 5 Energy Policy & Regulation

At a Glance: Jan 2014 Polar Vortex

- » Severe Arctic cold weather caused a week of below freezing weather, setting record lows across the Eastern U.S.
- » The spot price of gas in spiked as high as \$100/mmBtu in New York, and up to \$40/mmBtu across in East Texas.
- » Infrastructure constraints
- » Frozen gas wells such as in Marcellus Shale area

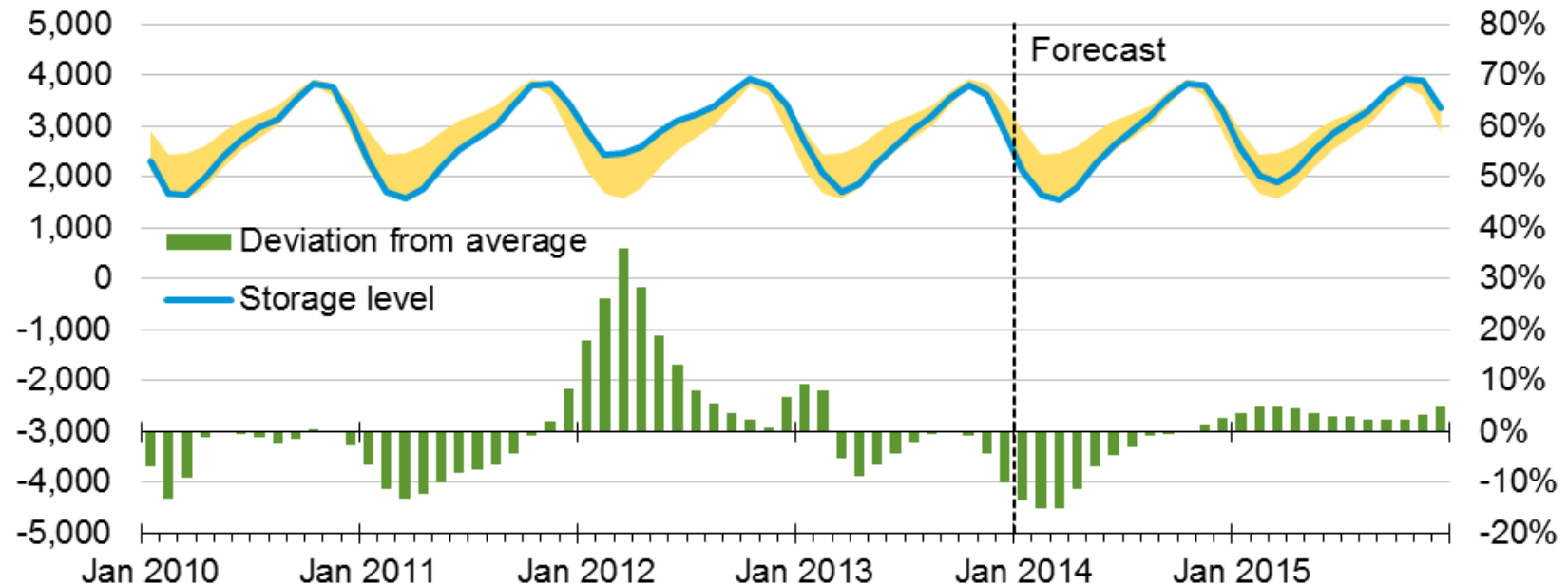


U.S. Storage Inventories

U.S. Working Natural Gas in Storage

billion cubic feet

deviation from average



Note: Colored band around storage levels represents the range between the minimum and maximum from Jan. 2009 - Dec. 2013.

Source: Short-Term Energy Outlook, January 2014.

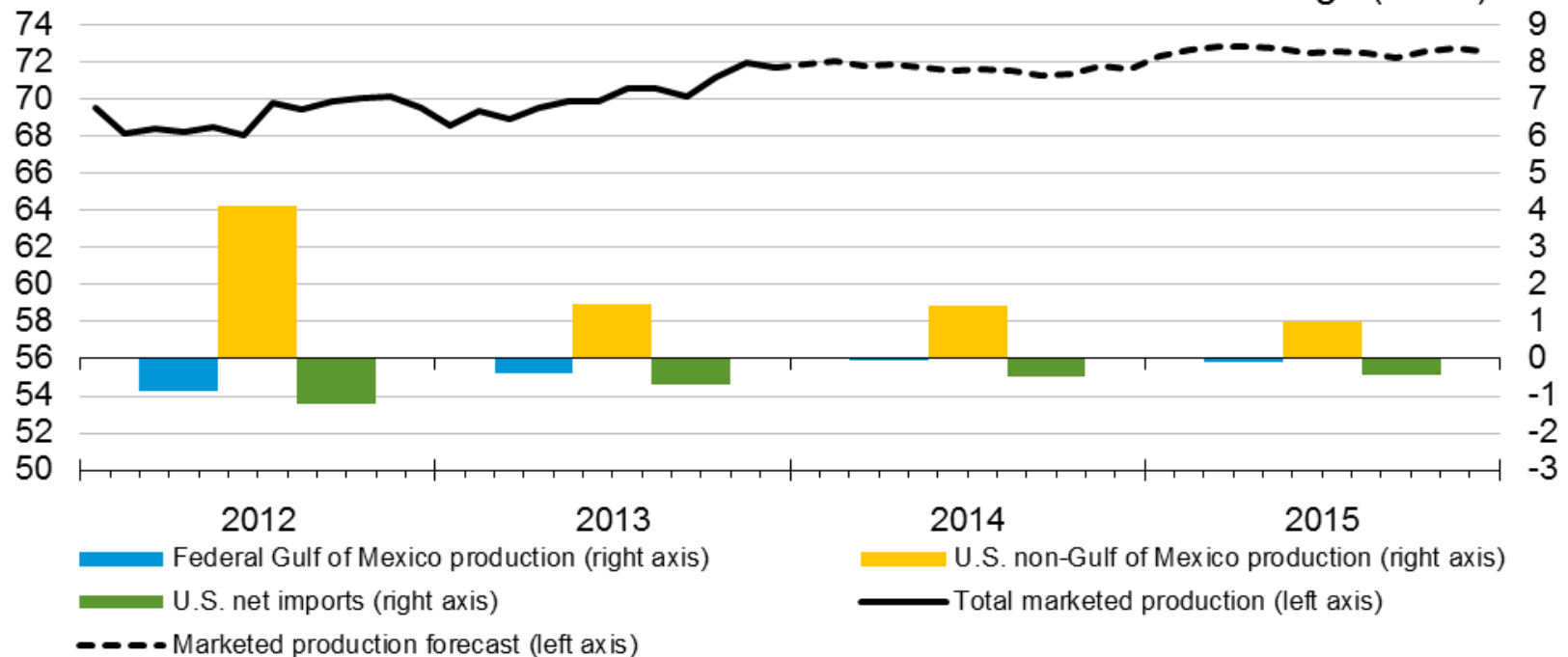
E.I.A. Natural Gas Production and Imports Forecast

U.S. Natural Gas Production and Imports



billion cubic feet per day (Bcf/d)

annual change (Bcf/d)



Source: Short-Term Energy Outlook, January 2014.

Outlooks, Conclusions

- » Long term domestic natural gas production growth outpaces consumption growth
- » NYMEX and Clearport futures indicate analysts expect natural gas pricing has leveled between \$4.00 - \$4.50 / mmbtu
- » Natural gas = still lowest priced combustion fuel, cleanest combustion fuel, domestic, plentiful
- » Long term drivers: Federal energy policy and regulation, LNG export, economic growth,
- » Short term drivers: weather, local infrastructure,
- » Energy prices still lower than a decade ago

How to Manage Your Energy Costs

1

Take advantage of energy efficiency programs. Call your Account Executive for technical support.

2

Visit <http://www.socalgas.com/for-your-business/> for support tools.

3

If you transport your own gas, talk to your gas supplier to discuss supply and pricing strategies.

4

Look for ways to conserve and be more energy efficient.

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